



U.S. General Services Administration

# **Federal Travel Regulation (FTR)**

## **Reduce Per Diem**

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April 30, 2014



# Reduce Per Diem

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## **Subsistence Expense Act of 1926**

- **Authorized agencies to pay employees a per diem allowance, rather than reimbursing actual expenses, when those employees are traveling on Government business.**
- **Originally, and for the next sixty years, the standard rate for this allowance was prescribed by statute.**
- **In setting these rates, Congress described them as maximums and allowed agencies to set lower amounts in appropriate circumstances.**
  - **This authorization to agencies was necessary because the rates, which were established on nationwide and worldwide bases, were intended for “travel to be performed in metropolitan areas or other places where the cost of living is high”.**
  - **Agencies were expected to "exercise diligent control" to set appropriate rates for areas in which costs were lower.**



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## **Federal Civilian Employee and Contractor Travel Expenses Act of 1985/1986**

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- **Congress made two significant changes to the law (remain in effect today) regarding per diem rates for Government employees traveling on official business.**
  - **Congress relinquished responsibility for setting the rates to the Administrator of General Services (for travel within the continental United States) and the President or his designee (for travel outside that area).**
  - **Rates are to be established by locality, rather than on nationwide and worldwide bases.**
- **Congress concerned in setting rates for particular trips at less than the maximum allowed, "Federal employees should be protected against being required to pay out of their own pockets the necessary expenses incident to their official travel for the Government."**



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**The Federal Travel Regulation (FTR) issued under the 1986 statute recognized that in specific circumstances, the locality rate might be inappropriately high. The FTR included these examples of such circumstances:**

- Known arrangements or established cost experience at temporary duty locations showing that lodging and/or meals can be obtained without cost or at reduced cost to the employee;**
- Situations in which special rates for accommodations have been made available for a particular meeting, conference, training or other temporary duty assignment;**
- Traveler's familiarity with establishments providing lodging and meals at a lower cost in certain localities, particularly where repetitive travel or extended stays are involved;**



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- **Modes of transportation where accommodations are provided as part of the transportation cost; and**
- **Situations in which the Government furnishes lodging, such as Government quarters or other lodging procured for the employee by means of an agency purchase order.**



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**These examples remained in the FTR until 1998, when the regulation was thoroughly revised to read as follow.**

**§ 301-11.200 Under what circumstances may my agency prescribe a reduced per diem rate lower than the prescribed maximum?**

**Under the following circumstances:**

- (a) When your agency can determine in advance that lodging and/or meal costs will be lower than the per diem rate; and**
- (b) The lowest authorized per diem rate must be stated in your travel authorization in advance of your travel**



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- **In revising the FTR, GSA did not explain the deletion of the examples of justification for reduction.**
- **Recognize agencies may lower the per diem payment, to a stated percentage or a set dollar amount of the locality rate, for extended travel if it determines in advance that there is a likelihood that extended travel and known arrangements will result in a lower per diem expenditure than that prescribed by the maximum rate.**
- **Agencies could not limit payments to employees for subsistence expenses while traveling to levels below the locality rate per diem amounts solely to reduce administrative costs**



# **Tax issues**

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## **Internal Revenue Code, 26 U.S.C. § 162(a)**

- **There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including;**
  - **Traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business.**
  - **The taxpayer shall not be treated as being temporarily away from home during “any period of employment if such period exceeds 1 year”.**

## **The Income Tax Reimbursement Allowance (ITRA)**

- **An allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location**





# Temporary Change of Station (TCS)

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## Temporary Change of Station (TCS)

- **A TCS allows the relocation to a new official station for a temporary period, not less than 6 months and no more than 30 months, while performing a long-term assignment, and subsequent return to the previous official station upon completion of that assignment.**
- **The FTR provides agencies an alternative to a long-term temporary duty travel assignment which will increase the employee's satisfaction and enhance morale, reduce the employee's income tax liability, and save the Government money.**